

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 934 [NW2088E]
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934. Mr G G Hill-Lewis (DA) to ask the Minister of Finance:

- (1) What (a) is the total amount of sovereign-guaranteed debt that was raised for the Gauteng Freeway Improvement Project (GFIP), (b) was the coupon and duration of the bonds and (c) amount has been paid on the bonds (i) in each of the past five financial years and (ii) since 1 April 2019;
- (2) whether any new bonds have been raised in order to roll over the credit on the original bonds; if not, what is the position in this regard; if so, what are the relevant details;
- (3) what has he found to be the impact of low revenue collection on (a) the credit rating of the SA National Roads Agency and (b) the interest rate of raising a further bond;
- (4) (a) what are the details of the National Treasury's proposed financing model for the second phase of the GFIP and (b) by what date will additional bonds be raised in this regard?

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REPLY:

1. (a), (b), (c) (i) and (ii),

SANRAL does not report their guarantee usage in terms of drawdowns on a project basis and as such, the only amount available is the total guaranteed debt of SANRAL, which represents exposure for government. As at 31 March 2019, this amount was R39.5 billion, which includes accrued interest and revaluations on inflation linked debt.

- 2.** Yes, new bonds have been issued in the 2019/20 financial year. All bonds that have been issued in the 2019/20 financial year were issued under the R31.9 billion guaranteed Domestic Medium-Term Note. These were issued through private placements

The first issuance was a floating rate note (HWF11 bond) and was issued on 15 July 2019 amounting to R2 billion (nominal). The bond has a maturity date of 15 July 2022 and has interest payments linked to the 3-month JIBAR that is paid quarterly and a margin of 147 basis points over the JIBAR rate. This was a new note.

The second bond issuance was the HWAY35 bond on 15 July 2019 amounting R200 million of which the HWAY35 was an existing bond introduced initially in 2010. The bond has a maturity date of 31 July 2035. The bond has a fixed coupon rate of 9.25% per annum payable semi-annually in arrears.

The third bond issuance was on 29 July 2019 and was a floating rate note/bond (HWF12 bond) that has a maturity date of 29 July 2022. Amounts raised through this issuance was R1.650 billion. The interest payments are linked to the 3-month JIBAR and are paid quarterly. The interest is paid at JIBAR plus a margin of 147 basis points. This was a new note.

The fourth bond issuance was also on 29 July 2019 and was an issuance amount of R150 million related on the HWAY35 fixed rate bond (the details of the bond are as above).

3. (a),

At this point the full impact of the low revenue collection is unknown and it will become clear once the audited financial results are made public. However, the loss in income due to GFIP in 2017/18 had to be covered through the fiscus by an amount of R463 million. In terms of the impact on SANRAL's credit rating, the entity's rating agency has a better understanding of what the impact of lower toll collections will be and will consider other variables.

(b),

It is difficult to attribute the cost of funding or SANRAL's interest rates to one variable or factor. However, what National Treasury has established is that SANRAL, similar to other state-owned entities have been borrowing at higher interest rates relative to their peers. For instance, SANRAL's recent issuances have been at higher interest rates compared to corporates with similar credit ratings. As an illustration, corporates with similar credit ratings to SANRAL (i.e. AAA credit rating by Moody's) who have issued floating rate bonds with similar tenures (3 years) have been borrowing at 3 months JIBAR and spreads of between 100 basis points and 145 basis points with no Government guarantee. However, SANRAL on the back of a Sovereign guarantee or Government guarantee borrowed at 3 months JIBAR and a spread of 147 basis points. What is clear is that the cost of funding is high relative to corporates but it is unclear if this relates to the low toll collections.

4. (a) and (b)

Government officials together with SANRAL are engaging on the model for GFIP and tolling as a whole. Various options are being considered and will be communicated by the relevant officials. That includes the funding model.